Saskatchewan Transportation Company

First Quarter Report 2008

2008 1st Quarter Corporate Reporting

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Management Discussion and Analysis

In this MD&A, STC Management will discuss the results of its First Quarter operations in 2008, in context of both the corresponding quarter in the previous year and, in general terms, in relation to the anticipated financial position of the company over the full year.

The MD&A will also review any emerging corporate issues which arose in the quarter and will have a lasting impact on the corporation's fiscal position.

Passenger Service:

In the first quarter of 2008, STC coaches traveled approximately 800,000 miles, serving 278 Saskatchewan communities.

Revenues from passenger operations in the quarter were $1,975,000, up from the $1,824,000 in revenues realized by the company in the first quarter of 2007. Expenses associated with operating passenger services were $2,513,000, up from the 2007 figure of $2,188,000.

Operating losses for passenger services in the quarter were $538,000, compared to a loss of $364,000 in the first quarter of 2007.

Actual revenues from passenger service were up $35,000 from the projected revenues for the quarter.

Express Service:

Through its network of close to 200 agents in the province and interconnecting arrangements with other carriers, STC hauls freight throughout the province and connects to destinations across North America.

In the first quarter of 2008, revenues from express operations were $1,424,000, slightly down from the revenues of $1,425,000 realized in the first quarter of 2007. Express operating expenses during the quarter amounted to $1,263,000, up from the $1,178,000 in expenses for the same period the previous year.

Overall, profits for freight operations in the first quarter amounted to $161,000, compared to a profit of $247,000 for the first quarter of 2007. Revenues for freight operations are below expectations for the quarter.

STC's express service tends to be somewhat seasonal, due to a lack of activity in the farming industry at this time of year. It is anticipated express revenues will increase in the remaining quarters.

Maintenance Services:

STC operates a garage in Saskatoon for major bus servicing, and one in Regina for minor bus servicing. In addition, the company uses its facilities to do maintenance work for other bus companies, as well as to store vehicles for other companies.

The expenses for maintenance services in the first quarter of 2008 amounted to $878,000, as compared to $821,000 for the same three-month period in 2007.

Financial Services:

Overall, STC's revenues for the first quarter of 2008 amounted to $3,658,000, compared to $3,557,000 for the first quarter of 2007, while expenses were $5,906,000, compared to $5,262,000 the previous year. The company's loss, before grants, for the quarter was $2,248,000, compared to $1,705,000 for the first quarter of 2007.

STC has been approved for an operating grant of $7.0 million from its holding company, the Crown Investments Corporation of Saskatchewan. Current projections for the year, based on the first quarter, indicate that the company will require the full amount of grant funding.

In the first quarter, STC drew down $1,500,000 of the grant funds available from CIC. STC had no outstanding loans or indebtedness in the quarter.

At the end of the quarter, the Government's equity in STC stood at $39,434,000, compared to $25,224,000 at the same time last year, primarily as a result of the construction of the new Regina head office and depot.

Other Issues:

During the quarter, work continued on construction of a new Regina passenger and freight depot and head office which is expected to be completed later in 2008.

Ridership for the quarter stood at 71,616, compared to 67,841 in the first quarter of 2007, an increase of slightly more than 5%.

Saskatchewan Transportation Company

Statement of Financial Position
(unaudited - thousands of dollars)

	As at March 31, 2008	As at December 31, 2007
Assets		
Current		
Cash	$ 1,189	$ 1,617
Accounts receivable	1,506	2,047
Inventories	38	370
Prepaid expenses	382	438
	3,461	4,472
Property, plant and equipment	35,973	34,548
	$ 39,434	$ 39,020
Liabilities and Province's Equity		
Current		
Accounts payable and accrued liabilities	$ 1,959	$ 3,896
Deferred capital grant	27,635	24,874
Province of Saskatchewan's Equity		
Retained earnings	9,840	10,250
	$ 39,434	$ 39,020

Saskatchewan Transportation Company

Statement of Operations and Retained Earnings

(unaudited - thousands of dollars)

	Three months ended March 31	
	2008	**2007**
Revenue		
Express services	$ 1,424	$ 1,425
Passenger services	1,975	1,824
Other	259	308
Loss on disposal of property, plant and equipment	-	-
	3,658	3,557
Expenses		
Operating	4,654	4,187
Administration	765	646
Amortization	487	429
	5,906	5,262
Loss before the following	(2,248)	(1,705)
Operating Grant	1,500	750
Capital Grant	338	314
Net income (loss)	(410)	(641)
Retained earnings, beginning of period	10,250	10,290
Retained earnings, end of period	$ 9,840	$ 9,649

Saskatchewan Transportation Company

Statement of Cash Flows

(unaudited - thousands of dollars)

	Three months ended March 31	
	2008	2007
Operating Activities		
Net income (loss)	$ (410)	$ (641)
Items not involving cash:		
Amortization	487	429
Loss on disposal of property, plant and equipment	-	-
Recognition of capital grant	(338)	(314)
Net change in non-cash working capital	(1,355)	61
Cash provided by (used in) operating activities	(1,616)	(465)
Investing Activities		
Additions to property, plant and equipment	(1,912)	(2,606)
Proceeds on disposal of property, plant and equipment	-	-
Cash used in investing activities	(1,912)	(2,606)
Financing Activities		
Capital grant received	3,100	2,000
Cash used in financing activities	3,100	2,000
Increase (Decrease) in cash	(428)	(1,071)
Cash, beginning of period	1,617	1,788
Cash, end of period	$ 1,189	$ 717

1. Basis of Presentation and Significant Accounting Policies

The interim financial statements of the Saskatchewan Transportation Company (the Company) have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in the notes to annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with the financial statements and notes thereto in the Company's annual report for the year ended December 31, 2007.

These financial statements have been prepared following the same accounting principles as the financial statements for the fiscal year ended December 31, 2007.

2. Seasonal Nature of Express Revenues

Historically, STC's express service tends to be seasonal with the first quarter being slightly lower and the fourth quarter being slightly higher than the second and third quarters. This is due to the absence of significant agricultural activity in the first quarter and the increase in holiday shipping in the fourth quarter of the year.